Human Events *A Weekly Analysis for the American Citizen*
Editorial Office 1710 Rhode Island Ave., N. W., WASHINGTON 6, D. C. *Telephone* NATIONAL 2066
VOL. VII, No. 33, *Issue Number* 342, AUGUST 16, 1950 ★ *Editor:* FRANK C. HANIGHEN

POLITICS AS USUAL

by Frank Chodorov

Mr. Truman estimates the cost of national defense for the current year at ten billions more than called for in his original budget, bringing the total to nearly 25 billions. The Korean affair compels this revision. But Korea, it is said, indicates the possibility of similar disturbances of the peace elsewhere, and the opinion is widely held that we are in for a series of "policing" jobs, if not an all-out war with Russia, and that therefore we had better set our sights on an annual defense bill of 25 billions at least. For how many years? Who can tell?

Our international policy being what it is, there is no way of avoiding this cost. We have to abandon all thought of a peace economy; nothing else counts but the security of the nation. Just as a family faced with some dire emergency must give up its automobile, the son's education and the daughter's coming out party, so the nation should drop every undertaking not contributory to the pressing problem of existence.

Looking into the budget, we find there well over the extra ten billions asked for by Mr. Truman, all earmarked for matters that, regardless of their desirability, are in no way conducive to the main purpose. In fact, these peacetime preoccupations are definitely a handicap, not only because of their cost, but more because they consume energy.

The manpower put into "social welfare, health and security" -- a listing in The Federal Budget in Brief -- could be better engaged in aiding the defense program than in spending two billions. Roughly, a billion and a half, for salaries and subsidies, is set aside for each of the following items: "national resources", "agriculture", "housing and education", "transportation and communications". Other non-military items account for more billions and more manpower.

The President has warned us that we must drop the "business as usual" attitude and attune our minds to the business of war. We have a right, therefore, to demand the abandonment of "politics as usual" and the peremptory liquidation of every bureau that does not directly promote the main national purpose. A million non-war men and women on the public payroll should be put on the military assembly line.

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Putting aside the savings that could be effected by stripping the budget of every peacetime expenditure, there is still the matter of raising 25 billions a year. Shall it be done entirely by immediate taxation, or shall we resort to what fuzzy thinking calls "borrowing", but which is nothing more than delayed and greater taxation? Shall we add to our already prodigious national debt?

To begin with, we must rid ourselves of the notion that bonds pay the costs of war. That is pure make-believe. A war is fought with current production, just as it is fought by living men. An unborn child cannot shoot a gun, and a gun made 20 years after the war cannot have possibly played any part in it.

In the nature of things, we must pay the costs of war as it is fought. There is no getting away from that fact. When the Government issues a bond in payment for a bullet, it simply gives the producer a claim on future production in exchange for what is already produced and expended or consumed. He accepts the promise to pay because he has faith in the Government's power to levy taxes.

Why does the Government issue the bond? Simply because the worker may not wish to make a bullet for which he receives nothing more than national security. He may not be that patriotic. Because he has made something with his labor he claims a property right in it, and is reluctant about giving it up without compensation, even if the compensation is only a claim on property not yet in existence.

This transaction, however, turns out to be in the nature of a shell-game. A bond is an IOU, of no more value than the ability and willingness of the maker to meet the obligation. The willingness of the Government to make good on its bond is not questioned, but how about its ability? That depends on tax collections. Who pays these taxes? Obviously, the bondholder. So that, taking the nation as a whole, the bondholder pays himself.

However, since some people buy more bonds than others, some buy none, and some who buy them are compelled in time to sell to others, the result is that the bondholders of the nation become the creditors of the others. Society is divided into tax collectors and taxpayers. The business of the Government is to enforce this creditor-debtor relationship, a relationship that becomes as permanent as the national debt.

The shell-game character of a bond is further emphasized by the fact that as soon as it is issued it depreciates the value of all the

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bonds that preceded it -- unless the income from taxation is correspondingly increased. In order to hold up the values of its mounting obligations the Government must draw more and more upon the production of the people. Its only income is taxes. The bondholders are among the taxpayers, and the more bonds they buy the more taxes they must pay.

No matter how you look at the bond transaction, it fits itself into the heads-you-win-tails-I-lose formula.

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War provides the Government with an excuse for issuing bonds that is as immoral as it is plausible: we are fighting to preserve a way of life for our children, even the unborn, and it is only proper that they should help share the cost. Aside from the fact that they cannot possibly share in the cost of a war that was paid for with its current production, why should any generation be hamstrung by the past? Should it not be allowed to make its own world, its own values?

In the present instance we are fighting, so the argument goes, to protect our grandchildren from the evil of Communism. What guarantee have we that they would not, or will not, of their own free choice select that form of slavery for themselves? It seems to us unthinkable that they should fall so low, but the fact is that quite a number of contemporary Americans have made the descent and we can reasonably predict that many of our grandchildren will be just as degenerate. Why make them pay for a "way of life" they will not want?

We are fighting Communism because we, not our grandchildren, are opposed to it. It is repulsive to the living, not the unborn. Well, then, let's pay all the costs of it -- with our property as with our lives. The bond-dodge is an unspeakable indecency. A father who deliberately accumulates debts for his children to pay is hardly worthy of parenthood; they would be justified in condemning his behavior and repudiating his debts.

Suppose a man came up to you and said: "I have an IOU issued by your great-grandfather to my great-grandfather. Pay up." You would probably reply, and with justification, "you had better see my great-grandfather about that; I had nothing to do with the transaction and see no reason for taking up the paper." If he argued that his sire loaned yours a gun with which to chase Indians out of the Bronx, you might reply that there are people living in that section whom you like less than some Indians you know, and you wish the honorable forebears had not concerned themselves with your selection of neighbors.

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On economic grounds a pay-as-we-fight policy is the only tenable one. It is the only way of avoiding the social headache of inflation. War, and the preparation for it, is all waste; it is the diversion of energy and materials from productive to destructive uses. It creates a shortage of the things men live by and the hectic bidding for what is available raises prices. Because of differences in income, the rising price level causes disaffection. The issuance of new money or bonds -- the difference is only technical -- only aggravates the situation, and resort to price regulation and rationing solves nothing because such measures only give rise to black marketeering.

Taxation amounts to the liquidation of purchasing power. People who do not have the money simply do not bid for goods -- they get along without. If every dollar in wages, profits, income of every kind -- above what is necessary for mere subsistence -- were siphoned into the war chest, the difficulties of inflation would be avoided. There would be no need of price regulation, with all its inequities and irritations.

The only objection to this policy could come from those who are more interested in their pocketbooks than in the security of the nation. With these we cannot have any sympathy -- unless they constitute the majority of the citizenry; in that case, according to democratic principle, the whole defense program ought to be dropped. Thus, a pay-as-we-fight policy would turn out to be a national plebiscite.

Yes, a pay-as-we-fight tax policy would be a challenge. It would necessarily involve pay-roll deductions that would leave the worker little more than the necessaries; perhaps their actual wages would be no more than what a "buck" private gets. Justice would require that the pay checks of those in higher echelons, including all the civilian officials and military bigwigs, would be correspondingly reduced. A living is all one is entitled to when the life of the nation is involved.

There we have a formula for taxation of incomes. Dividends should be taxed 100 per cent, and if the year-end returns of the taxee shows that he received from other sources enough to keep alive and in good health, no return to him would be made. Every private accountant should be drafted into the military machine, under military orders to report on business profits; whatever is not needed for the actual life of the business should be confiscated.

If it's war we want, let's foot the bill willingly. Let's not make believe that it can be waged with promises to pay.

DUE TO THE ABSENCE OF FRANK C. HANIGHEN, NOT MERELY GOSSIP DOES NOT APPEAR THIS WEEK. IT WILL BE RESUMED ON AUGUST 23.

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European Supplement *to* Human Events Vol. VII, No. 33

RECEIVED AUG 22 1950 DISRAELI MINNESOTA

By Bertrand de Jouvenel PARIS -- August, 1950

THE WAR AS SEEN FROM FRANCE: As I write (August 5) a complete military disaster in Korea is taken for granted over here in Paris. It has been expected ever since the Red columns swept to the southwest tip of Korea after the fall of Taejon. Should it have failed to materialize by the time this is published, there will be gratified amazement in Europe.

If it has occurred, it may mean a great loss of face in Asia (so I am told, and I don't know Asia). But not so in Europe. Whatever the faults of Europeans they are not time-savers. The brave American effort in Korea has made a tremendous appeal to European sympathies.

The basic tale of heroism in European culture is that of Roland at Roncevaux. He is taken by surprise, he has to face overwhelming odds, he fights valiantly, he dies, the last combatant of his destroyed army, and Charlemagne arrives too late with his relieving forces. The glorious feat is not the ultimate victory in which the hero does not share; nor is the hero admirable for his foresight. The Roland pattern is the fundamental pattern of Occidental feeling. Not victory, not efficiency, but fortitude in a desperate situation, this is what our heart goes out to.

This way of feeling explains many things. It explains the unpopularity of modern Germany ever since 1870; a rapid victory, due to efficient preparation, offends our sensibility. We are glad to see the robot ultimately dashed to the earth.

It is probable that our attitude has its roots in an unformulated philosophy: in the feeling that man's attempt to master the universe by inhuman foresight is evil and doomed; that the mode of man's superiority over the universe is in facing it without terror; that man-in-the-world is kingly not by power but by fearlessness. Roland who loses and dies superior to the event is not merely a military hero: he is a symbol of man-in-the-world who nobly accepts his predicament.

Even a giant can feel lonely. I understand that American opinion has resented the failure of associate nations to send forces to the Korean front. Whatever the case of other nations, France with her trained men in Indo-China and not enough left in France to give a proper training to conscripts, with her troops in Indo-China unrelieved by reinforcements and her territory unsecured, would, had she sent a token force, have sacrificed realities to appearances. This is not to say it should not have been done, but it is understandable that it has not been.

On the other hand it is puzzling, and in my opinion deplorable, that the volunteers who flocked to the American Embassy to enroll in the American forces should have been turned away with a printed notice: "The U.S. Government does not accept the enlistment of foreigners outside the U.S." The explanation given was that a number of volunteers were seeking indirectly the acquisition of U.S. citizenship. While this was not the case of many volunteers, even should it be so it seems strange that the desire to acquire U.S. citizenship at the risk of one's life should be thus frowned upon. Is it wise, when so much is said about the "Atlantic community", to seem to regard American citizenship as an unattainable privilege and to seem to look askance at those suspect of desiring it?

It must be tirelessly restated that a real community of countries can never be erected by mere association of governments; that it acquires reality only by the easy movement of individuals within the larger community, and by their being almost equally at home under any one of its several governments. Rome had disastrous trouble with her associate nations, "allies" as they were called, because individuals of the allied nations were too far "kept in their place".

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Let there be no suggestion that Europeans are unequals, unworthy of membership in the American club founded by their great uncles. This would be most bitterly resented. Indeed the future of the Atlantic community seems to me to depend upon the treatment of allied nationals by American law. The Atlantic community would spring into existence, were the U.S. to adopt towards European allies something like the system England has adopted towards Dominion citizens who enjoy practically all British rights when in England. This, with due reciprocity, is the true path of union.

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EUROPEAN REARMAMENT -- BRITAIN: What American opinion must want to know, in present circumstances, is how seriously the European States take the situation and what they are willing to do. Britain has been promptest, making it known that she proposed to step up her military expenditures by a billion dollars a year on average over the next three years, bringing total military expenditure for the period to something like 9.4 billion dollars.

As her productive resources are in full employment, the war production to issue forth from her factories implies some switching of her productive resources, and Roy Harrod suggests that factors can best be freed by paring down public capital outlay and unrequited exports. As such activities add to internal buying power but not to the supply of marketable goods, their replacement by military production, which does precisely the same thing, will not increase inflationary pressure. This will be increased only insofar as cuts in these previous activities shall remain unequal to armament expenditure. And in that measure, argues Professor Harrod, increased buying power will have to be sponged off by increased taxation, or decrease of food subsidies. The latter, urged by Harrod, would set afoot a process of wage rises.

England's merit in taking the lead should, I feel, be stressed. It dashes the anti-British campaign which, I am glad to say, I always opposed in the French press. It detracts nothing from British merit to note that the British enjoy a great privilege over the people of the Continent. They can be reasonably sure that their own national effort will secure their island as once more the stronghold of liberty. This is a formidable incentive.

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EUROPEAN REARMAMENT -- FRANCE: The French labor under an enormous psychological handicap. All in this country are convinced that whatever army we might raise by the utmost effort would be unequal to the task of holding the Russians should they choose to invade France. And that therefore the effectiveness of the French effort depends upon the determination of other Powers to "invest" part of their forces in the defense of Continental Western Europe. Obviously such determination can be kindled by an unmistakable display of our own will to defense: and that is how a French Churchill would proceed. Not so lesser men who feel they must have the previous assurance of actual American and British divisions stationed on the Continent. Nor are they to be blamed in view of France's unforgotten solitude of 1940. In response to my articles on rearmament, syndicated in the French provincial press, I have received arresting letters. Many are enthusiastic, but not a few, from unquestionable patriots, veterans of two wars, demand: "We are willing enough, provided you bring us proof that it isn't hopeless. We don't ask for even chances, one in five, one in ten will do. But there must be a chance."

It is in view of such doubts that Atlantic forces have to be poured into Western Germany. This "investment" will bring enormous returns in French forces.

The ideal, as we have been saying here for a long time would be to build up a combined army in West Germany made up of pooled divisions, armed by the combined industrial effort of Western Europe. The U.S. would have to provide units and equipment only during an interim period, for Western Europe is quite capable, I would say in less than three years, of defending itself. It all depends upon political impetus: it seems that the North Korean army was set up in as little as 18 months.

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The Germans, of course, would have to bear their fair share of common defense. Not so long ago, I said here that if we would not allow them to rearm we would soon be begging them to. We're almost there now.

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WORRY ABOUT FORMOSA: The possibility of American involvement with Communist China is here a major cause of worry. The "dropping of Chiang", when this old ally might conceivably have been kept going by American help, was not well understood in our diplomatic circles when the decision was made in Washington. The China policy of the U.S. puzzled us as it seemed that all Asia must fall to the Soviets if the central hall of Asia, China, was abandoned. Now, however, we are no less puzzled by the sudden reinstatement of Chiang as an ally when he seems to bring us nothing but the enmity of Mao.

The chance of weening Mao away from Stalin was a slender one: this policy, however, advocated both by Nehru and by Tito, seemed better than none. And Britain had embarked upon it with scant enough results, it must be said. It is baffling that we should, after giving Mao a free hand and the moral boost of British recognition, go out of our way to pick a quarrel with him. We here are not well posted on Asiatic affairs. And our impressions may be quite mistaken. But we do fear that the U.S. may find itself fighting not only North Korea but Communist China with the double inconvenience of heavy military commitments and of an uncomfortable moral position in Asia. To us in the West fighting against an aggressor is ever a strong moral position; but insofar as U.S. forces find themselves practically alone in the field against Asiatics, it should be all too easy to stir up Asiatic patriotism against the U.S., regardless of circumstances. This is what Nehru seems to fear.

Following Dr. Malik's speeches in the Council of Security, it is difficult not to feel that they are aimed at Asiatic opinion. Here we have been put in the position of refusing the admission of the only China there is, and this may well be turned against us in the Far East.

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THE CASE OF WESTERN GERMANY: While we would not venture to pass judgment upon policy in the Far East, being too ill-informed on the subject, we do worry about the consequences in Europe. Suppose that while American forces are well hooked over there, Eastern German forces move down on Western Germany. Suppose our scanty Atlantic forces prove incapable of beating them back. Russia then is not involved: she can hardly be struck at with atom bombs. We may well find ourselves booted out of Western Germany before we have had time to reinforce our units there. Suppose that the Eastern forces, now dubbed "the German Army", stop at the German frontier and the two parts of Germany are reunited. Do we fight "Germany"? Russia then is the country which feeds weapons and ammunition to "Germany" fighting for her freedom. This puts us in a pretty position!

Let us beware that we do not find ourselves in Germany as well as in China fighting pro-Russian nationals of Germany and China with practically no nationals on our side. Moscow has learned the value of nationalism and seems bent to enroll it everywhere on its side.

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ECONOMICS OF REHABILITATION AND ECONOMICS OF REARMAMENT: It is only natural that the U.S., straining its economy for rearmament, should expect the European nations to do as much. Indeed it is to their vital interest. A complication, however, is introduced by our very obligations under the European Recovery Program. For what we are supposed to do is to move back to economic normalcy, to balanced budgets, stable prices, balance of external accounts, removal of economic controls against inflationary pressure, of exchange controls, of impediments to international trade.

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But now with rearmament we must move away from economic normalcy, back to inflationary pressure and to the controls they call for. OEEC just recently sent back a questionnaire, on assumption of stable raw material prices and defense expenditures held at previous levels. All this is now out of date. Further freeing of external commerce to which governments are committed is now exercising the ingeniosity of Europe's top civil servants in the Chateau de la Muette in Paris.

It seems urgent to stop a waste of first-class brains expenditure and to recast Atlantic and European economic co-operation to suit the altered circumstances. It is not impossible to press forward, and even at an increased pace, towards European and Atlantic integration, but it must be by new methods. It is certainly desirable that armament expenditure should be spread out among European participants and that the buying power generated should be able to seep back through frontiers, thus distributing the attendant benefits of economic activity and the attendant stresses of inflation.

This, however, calls for a breaking down of the partition between co-operation in rearmament and co-operation in rehabilitation. Admittedly this is not without some psychological drawbacks. It was considered good that the U.S. should have on the one hand a selfless activity which all could welcome while on the other hand common defense was quite another thing. But those who do not believe in common defense anyhow never believed, against all evidence, in the selflessness of the Marshall Plan. And the time has come to face facts.

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THE FRENCH MEMO ON REARMAMENT: Prime Minister Pleven's memo subordinates French rearmament to two conditions. (1) Substantial American and British forces must be stationed on the Continent of Europe. (2) Costs of rearmament must be shared. The first condition is meant to assure French opinion that the French shall not find themselves alone in the event, and that defense therefore is not hopeless. Anglo-American forces are considered not only as an earnest of determination to defend the Continent; but also as the covering shield behind which the slow process of total mobilization can be pursued if and when necessary. I understand that the psychological and military needs of the Germans are the same as those of the French. They also, before they are willing to share in European defense, want to know that they shall not be alone; and in their disarmed state they are most fearful of any move towards rearmament which might bring down upon them an Eastern attack, as long as they are not secured by substantial allied forces. In short, the French demand for covering troops is one made in the name of the whole Continent.

As for M. Pleven's second condition -- that costs of rearmament are to be shared -- this is a principle which has been accepted by American opinion, and the vote of a considerable sum for the European Allies has underlined American determination. However, it is possible that M. Pleven goes too far when he urges that external help should be such as to render unnecessary any change-over of France to a war economy. This of course is the position of the Bank of France and of the other main banks, nationalized but still orthodox. They wish to preserve the financial stability which has been achieved at the cost of great efforts. Their position is that rearmament should cause no public deficit, generate no inflationary pressure, introduce no factor of disequilibrium in our external accounts. It seems a lot to ask. But it is of course in line with the policy we have undertaken to follow at the behest of the U.S. For ECA still urges us to travel along the road towards "equilibrium by 1952". Is it to be that or "Preparedness by 1953"? It can hardly be both.

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